This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT NO. 2427

LISTED JANUARY 23, 1970.
358,255 shares of $1.00 par value of which 55,420 shares are subject to issuance.
Stock Symbol "CPO".
Post Section 5.5.
Dial Quotation No. 2347.

THE TORONTO STOCK EXCHANGE

LISTING APPLICATION

Filo

CDP COMPUTER DATA PROCESSORS LTD.

(Incorporated under the Companies Act of the Province of Alberta as a Limited Company on the 25th day of July, 1966.

CAPITALIZATION AS AT THE 30TH NOVEMBER, 1969

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
Shares of $1.00 par value	2,000,000	302,835	358,255*
*of which 55,420 are subject to issuance.			
FUNDED DEBT			
4% First Convertible Serial Notes	$40,000	$30,000	Nil

December 12, 1969.

1. APPLICATION

CDP COMPUTER DATA PROCESSORS LTD. (hereinafter called "CDP") hereby applies for the listing on The Toronto Stock Exchange of 358,255 shares of $1.00 par value in the capital stock of CDP of which 302,835 have been issued and are outstanding as fully paid and non-assessable. The remaining 55,420 shares included in this application have been reserved as follows:

For conversion of $2,487,00 principal amount of 4% Convertible Notes due September 1, 1970	2,487
For allocation to a Redemption Fund of 4% First Convertible Serial Notes	27,513
For employee stock options at $7.20 per share exercisable as to 1/5th each year to September 11, 1973	5,280
For employee stock options at $9.90 per share exercisable as to 1/5th each year to March 9, 1974	2,080
For employee stock options at $11.25 per share exercisable as to 1/5th each year to May 4, 1974	1,400
For exercise of share purchase warrants at $13.00 per share until October 29, 1971	10,000
	48,760
For employee stock options not yet granted	4,160
For authorized but unissued 4% First Convertible Serial Notes	2,500
	55,420

2. HISTORY

CDP was incorporated in 1966 under the laws of the Province of Alberta as a private Limited Company as a successor to Magnetrace Services Ltd. ("Magnetrace"), and EDP Engineering Data Processors Ltd. ("EDP").

Magnetrace commenced seismic data processing in 1963 as a wholly-owned subsidiary of Accurate Exploration Ltd. ("Accurate"). In September, 1967, Accurate became a wholly-owned subsidiary of Kenting Limited ("Kenting").

EDP was organized in May, 1964, by Roy O. Lindseth and Accurate, and commenced operations for the purpose of the reduction of geological and geophysical petroleum exploration data on digital computers.

A study was undertaken by A. L. Flood and R. O. Lindseth to investigate the feasibility of supporting a suitable digital computer installation in Calgary. The results of the study indicated that the minimum size of digital computer installation required could not be completely supported by the combined operations of Magnetrace and EDP. CDP was incorporated and acquired all of the issued shares of Magnetrace and EDP in September, 1966, and also acquired the additional specialized equipment necessary to fulfill the requirements of the Oil and Gas Industry.

On July 2, 1969, CDP sold all of the shares of Magnetrace to Information and Computing Centers Corporation ("ICCC") of Dallas, Texas.

At the time of the sale of the subsidiary Magnetrace, it was the operator and lessee of two CDC 3300 computers, and the owner of related leasehold improvements. To guarantee the availability of computer time CDP entered into a block time agreement with Magnetrace as the subsidiary of ICCC. This agreement calls for ICCC to install a CDC 6000 series computer in Calgary, Alberta.

3. NATURE OF BUSINESS

The major source of CDP's business is service to the Oil, Gas, and Mining Industries by applying computer techniques to the earth sciences. For the last two fiscal years the percentages of revenue are as follows:

	1968	1969
Digital Processing	55	51
Geological and Engineering Processing	18	13
Software Sales	3	20
Computer Rentals	17	9
Other Sources	7	7

Revenue for 1967 was not segregated by type and cannot be presented as comparable information.

CDP has 82 employees.

4. INCORPORATION

CDP was incorporated under the Companies Act of the Province of Alberta as a limited company on the 25th day of July, 1966, with an authorized capital of $20,000 divided into 20,000 shares with a nominal or par value of $1.00 each, which was increased by a Special Resolution of the shareholders of CDP effective November 2, 1967, to $50,000.00 divided into 50,000 shares with a nominal or par value of $1.00 per share, and then by a further Special Resolution effective September 3, 1968, to $2,000,000.00 divided into 2,000,000 shares with a nominal or par value of $1.00 per share. By virtue of a Special Resolution of the shareholders CDP was converted into a public company on September 3, 1968.

5. SHARE ISSUES DURING PAST TEN YEARS

Common Shares with a Par Value of $1.00 per share.

Date of Issue	Number of Shares Issued	Amount Realized Per Share	Total Amount Realized	Purpose of Issue
August 1966	11,650	$1.00	$ 11,650	Raise funds for initial operations.
December 1966	4,000	1.00	4,000	Raise funds for initial operations.
August 1967	1,550	1.00	1,500	Increase of working capital.
March 1968	400	1.00	400	Exercise of share purchase warrants.
May 1968	400	1.00	400	Exercise of share purchase warrants.
June 1968	75	1.00	75	Emplyee stock options.
July 1968	1,125	1.00	1,125	Employee stock options.
July 1968	8,900	1.00	8,900	Exercise of share purchase warrants.
July 1968	28,100	1.00	28,100	Exercise of share purchase rights.
August 1968	4,090	1.00	4,090	Employee stock options.
September 1968	95,100	5.00		Exchange for 8% Promissory Notes.
September 1968	33,950	4.28		Exchange for 8% Debentures Series A.
September 1968	18,915	4.50	85,118	Exercise of 8% Debenture Series A Holders' share purchase rights.
January 1969	85,000	7.40	629,000	Purchase of equipment and increased working capital.
January 1969	1,560	7.20	11,232	Employee stock option.
April 1969	520	9.90	5,148	Employee stock option.
October 1969	7,500	1.00		Conversion of 4% First Convertible Serial Notes.

6. STOCK PROVISIONS AND VOTING POWERS

On a show of hands every member, being the holder of a common share, present in person, including the proxy or representative of a member being an incorporated company, shall have one vote.

On a poll every member shall have one vote for each common share of which he is the holder. Votes may be given either personally or by proxy, but no member shall be entitled to vote on any question while any call or other sum shall be due or payable to CDP in respect of any of the shares held by such member.

The Directors may declare dividends, and all dividends shall be paid to members in proportion to the number of shares held by them.

7. DIVIDEND RECORD

The Company has not paid any dividend on its shares.

8. RECORD OF PROPERTIES AND EQUIPMENT

CDP does not own any real property in its own name, but leases approximately 23,000 square feet in Calgary House, Calgary, Alberta, of which approximately 5,000 square feet are sub-leased.

The Company owns peripheral equipment necessary for Input/Output of a Computer, such as an S.I.E. DCS-731 A-D-A converter system, an S.I.E. PL600 seismic plotter, a Geo Space DS-2410 converter, a Geo Space SP 112-1 seismic plotter, an E.A.I. 3500 Flatbed Data Plotter, an Ecars coordinatograph, an AutoTrol digitizer, and various other ancillary equipment.

9. SUBSIDIARY COMPANY

EDP was incorporated under The Companies Act of the Province of Alberta as a limited company on the 5th day of June, 1964, with an authorized capital of 20,000 shares, without nominal or par value, of which 1,000 shares are issued. It is now the wholly-owned subsidiary of CDP.

10. FUNDED DEBT

The funded debt of CDP as at November 30, 1969, was as follows:

4% First Convertible Serial Notes—5-year notes dated September 1, 1968. Repayable as to 1/5th each year with interest. (See paragraph 11 of this application under the heading "Other Reserved Shares" for conversion privileges)	$30,000
Conditional Sales Contract covering the purchase of equipment—repayable in monthly installments of $3,352 principal and $369 interest ending April 29, 1970	16,763
Bank Loan bearing interest at the rate of 8¾% per annum—secured by general assignment of book debts	20,000

11. OPTIONS, UNDERWRITINGS AND RESERVED SHARES

(a) Pursuant to the Underwriting Agreement dated December 13, 1968, the Underwriters referred to therein received share purchase warrants for the purchase of 10,000 shares of CDP until October 29, 1971. The right to purchase shares under such warrants is not exercisable (a) with respect to more than 3,000 shares before October 31, 1969, and (b) with respect to more than 6,000 shares before October 30, 1970.

(b) 8,760 shares of CDP are reserved for employee stock options as outlined in paragraph 1 of this application.

Other Reserved Shares

The 4% First Convertible Serial Notes (hereinafter referred to as "4% Convertible Notes") dated September 1, 1968, are payable, as to principal, in 5 equal consecutive annual installments commencing on September 1, 1969, and as to interest, at the rate of 4% per annum on the principal amount thereof from time to time outstanding, in cash on the same dates provided for the payment of principal. Each such annual principal installment is repayable, in whole or in part, in common shares of CDP, pursuant to a formula based upon the profits of CDP. Profits for purposes of repayment in whole or in part in common shares of CDP are defined as "Profits after all charges except taxes on income and special charges (including special charges which are designated as such by the Board of Directors)". This formula requires CDP, following the end of each of the fiscal years 1969, 1970, 1971, 1972, and 1973, to allocate (but not issue) to a fund in the books of CDP designated as the "Redemption Fund for the 4% Convertible Notes" one common share of CDP (as presently constituted) for each $10.00 that CDP's profits (as defined in the said 4% Convertible Notes) for such fiscal year exceed a base amount provided that the aggregate number of common shares so allocated cannot exceed a number of shares equal to the number of dollars then outstanding on such 4% Convertible Notes. The base amount for the fiscal year ended June 30, 1969, is $200,000, and the base amount for each succeeding fiscal year up to and including the 1973 fiscal year is increased by $50,000 per fiscal year.

As of September 1 in each calendar year following the end of each of the above fiscal years, CDP will allot and issue (to the extent of the number of common shares available in the said Redemption Fund) to the holders of the 4% Convertible Notes, pro rata, according to the respective installments of principal due thereunder, the number of common shares theretofore allocated to the said Redemption Fund. The common shares so allotted and issued to such holder shall apply in reduction of the principal installment then due on the basis of $1.00 reduction for each common share so allotted and issued and the balance, if any, of the principal installment then due shall be paid to such holder in cash. The number of common shares to be allotted and issued on any such September 1 as aforesaid shall not exceed the number of common shares which would be required to satisfy the installment then due.

The 4% Convertible Notes also contain a right whereby they are convertible at any time prior to September 1, 1973, into common shares of CDP at the rate of 3 common shares for each $20.00 principal amount of note then outstanding.

12. LISTING ON OTHER STOCK EXCHANGES

The common shares of CDP have been listed on the Calgary Stock Exchange since April 30, 1969. From January 7 to April 30, 1969, the common shares of CDP were traded over-the-counter in Toronto.

13. STATUS OF SECURITIES ACTS

Particulars of any filing, registration, approval or qualification with or by the Ontario Securities Commission or any corresponding body or authority relating to the offering of 85,000 unissued shares and 15,500 outstanding shares with a nominal par value of $1.00 each in the capital stock of CDP are as follows:

1) The Ontario Securities Commission issued its official receipt dated December 24, 1968, acknowledging receipt of the material required under The Securities Act, 1966 (Ontario).

2) The Alberta Securities Commission issued its official receipt No. 152247-U dated December 23, 1968, acknowledging receipt of the material required under The Securities Act, 1967 (Alberta).

3) The British Columbia Securities Commission issued its official receipt No. 40067Y dated December 31, 1968, acknowledging receipt of the material required under The Securities Act, 1967 (British Columbia).

14. FISCAL YEAR

The fiscal year of CDP ends on June 30 in each year.

15. ANNUAL MEETINGS

The Articles of Association of CDP provide that annual general meetings shall be held in the City of Calgary at least once in every calendar year and not more than 16 months after the holding of the last preceding general meeting, at such time and place as may be determined by the Directors. By a vote of at least 50% of the shareholders, the place of meeting may be changed to another place within or without the Province of Alberta. The last annual general meeting of the shareholders of CDP was held on October 27, 1969.

16. HEAD OFFICE AND OTHER OFFICES

The head office is located at 1370-550-6th Avenue South West, Calgary 1, Alberta. As of November 1, 1969, a sales agency was established at 650 Clyde Avenue, West Vancouver, British Columbia. This agency operates under the name Abacus Geographics Ltd.

17. REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent of CDP is Montreal Trust Company, at its offices in Calgary, Toronto, and Vancouver. Share certificates for the common shares of CDP are mutually interchangeable between such offices.

18. TRANSFER FEE

No fee is charged on share transfers.

19. AUDITORS

The auditors of CDP are Price Waterhouse & Company, 600-6th Avenue South West, Calgary 1, Alberta.

20. OFFICERS AND DIRECTORS

The Officers of CDP are:

Name	Office and Occupation during past five years	Home Address
George F. Coote	President and General Manager. Since 1967, Vice-President and Director, Kenting Limited (holding company for various companies engaged in petroleum, mining, exploration and aircraft operations).	2220-12th Street S.W. Calgary, Alberta.
Roy O. Lindseth	Vice-President and Manager, Technical Operations, of CDP since 1966. During period April 1964 to September 1966, Mr. Lindseth was President of EDP Engineering Data Processors Ltd.	241 Eagle Ridge Drive S.W. Calgary 9, Alberta
A. Lloyd Flood	Vice-President and General Manager of CDP since August 1966. Prior to 1966, Mr. Flood was Vice-President, Monsanto Oils Ltd.	169 Cherovan Drive S.W. Calgary, Alberta
Howard C. Gibson	Vice-President (since 1968) and Manager, Services and Contracts of CDP. Mr. Gibson has been Manager, Services and Contracts, since 1966. During the period February 1965 to November 1966 he was Manager, Data Processing, with Canadian Pacific Oil and Gas Ltd. Prior to this he was a geologist and computer system designer with Hudson's Bay Oil and Gas Ltd. since 1964.	2155 Chicoutimi Drive N.W. Calgary 44, Alberta

Name	Office and Occupation during past five years	Home Address
Robert A. Morris	Secretary-Treasurer of CDP. Executive of CDP since December 1967. Comptroller of Ross M. Rodger Ltd. since October 1965. Previously a senior accountant with Interprovincial Pipe Line Company.	5320-40th Avenue S.W. Calgary 45, Alberta

The Directors of CDP are:

Name	Address
G. F. Coote	2220-12th Street S.W., Calgary 3, Alberta
A. L. Flood	169 Cherovan Drive S.W., Calgary 9, Alberta
R. O. Lindseth	241 Eagle Ridge Drive S.W., Calgary 9, Alberta
H. C. Gibson	2155 Chicoutimi Drive N.W., Calgary 44, Alberta
M. E. Baker	134 Forge Road S.E., Calgary, Alberta
Senator D. Cameron	The Senate, Ottawa, Ontario
E. A. M. Fulmer	6032 Elbow Drive S.W., Calgary 9, Alberta
J. McK. McLean	915 Bexhill Road, Port Credit, Ontario
H. C. Meyers	62 Walnut Drive S.W., Calgary 5, Alberta
A. E. Pallister	4407 Britannia Drive S.W., Calgary 6, Alberta
C. A. Stollery	1135-39th Avenue S.W., Calgary 6, Alberta

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors, CDP hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

CDP COMPUTER DATA PROCESSORS LTD.

Corporate Seal

Per: "GEORGE F. COOTE",
President

Per: "A. L. FLOOD",
Vice-President

CERTIFICATE OF UNDERWRITERS

To the best of our knowledge, information and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

ANNETT MACKAY LIMITED

Per: "W. McLAREN"

ANNETT PARTNERS LIMITED

Per: "T. R. BRADBURY"

DISTRIBUTION OF COMMON STOCK AS OF NOVEMBER 20, 1969

Number		Shares
32	Holders of 1 — 24 share lots	515
240	" " 25 — 99 " "	10,300
208	" " 100 — 199 " "	20,335
46	" " 200 — 299 " "	9,415
16	" " 300 — 399 " "	5,135
9	" " 400 — 499 " "	3,725
27	" " 500 — 999 " "	18,590
52	" " 1000 — up " "	234,820
632	Shareholders — Total shares	302,835

FINANCIAL STATEMENTS

CDP COMPUTER DATA PROCESSORS LTD.

CONSOLIDATED BALANCE SHEET

AS AT OCTOBER 31, 1969

(Unaudited)

ASSETS

	October 31 1969	1968
Current Assets:		
Cash and term deposits	$ 572,500	$ 8,519
Accounts receivable, net	431,244	247,489
Work in progress, at cost	10,854	—
Materials and supplies, at cost	52,460	36,846
Prepaid expenses	3,367	8,008
	1,070,425	300,862
Investment, at estimated realizable value as at October 31, 1969	80,040	—
Fixed Assets, at cost less accumulated amortization and depreciation (Notes 2 and 3)	399,597	259,921
Deferred Charges—Technical systems and goodwill less accumulated amortization (Notes 2 and 3)	325,327	296,583
	$1,875,389	$857,366

LIABILITIES

	1969	1968
Current Liabilities:		
Cheques issued in excess of bank balances	35,399	—
Bank loan, secured	25,000	—
Accounts payable and accrued	119,140	64,810
Accrued salaries, wages and benefits	51,424	27,607
Current portion of long term debt	27,615	58,530
	258,578	150,947
Long Term Debt, less current portion (Note 5)	22,500	57,111
Deferred Income Taxes (Note 4)	30,956	(23,190)
	312,034	184,868

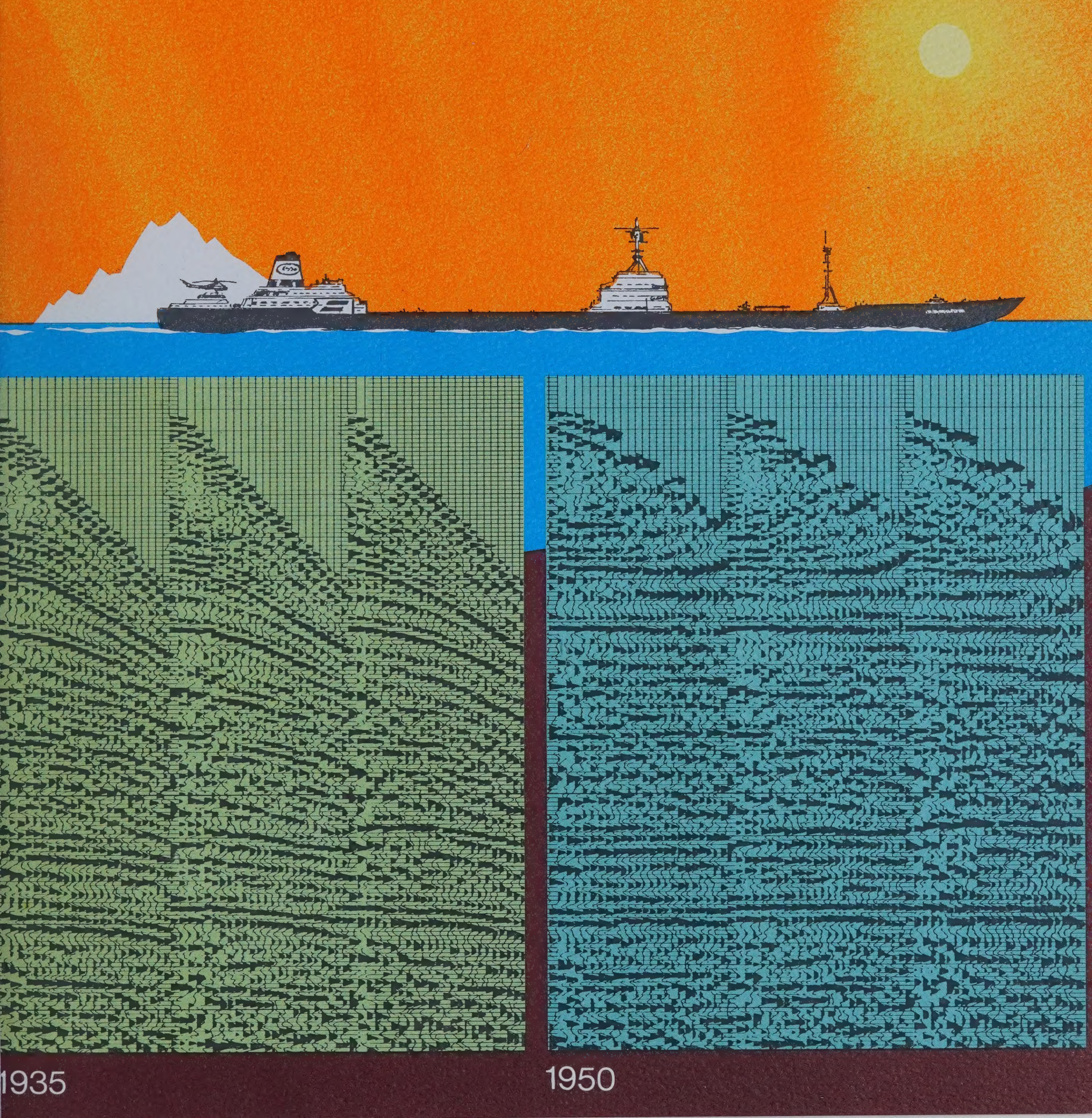
Shareholders' Equity

	1969	1968
Share capital: (Note 6)		
Authorized: 2,000,000 shares with a par value of $1.00 each		
Issued: 302,835 shares (1968—208,255 shares)	302,835	208,255
Contributed surplus	1,116,452	558,152
Retained earnings, per statement attached	144,068	(93,909)
	1,563,355	672,498
	$1,875,389	$857,366

The accompanying notes are part of the Financial Statements

CDP COMPUTER DATA PROCESSORS LTD.

THIRD ANNUAL REPORT 1969



1935 to 1950 — Analog Processing

Seismic Interpretations had to be made from data in analog and similar cumbersome forms.

Seismic surveys for petroleum record precisely timed echoes of shock waves to measure the depth of underground layers. Prior to 1950, all recordings were made by tracing the signals on paper or on photographic film. Once recorded, the data was permanent and could not be changed.

1951-1959 — Normal Move-out and Static Corrections Applied

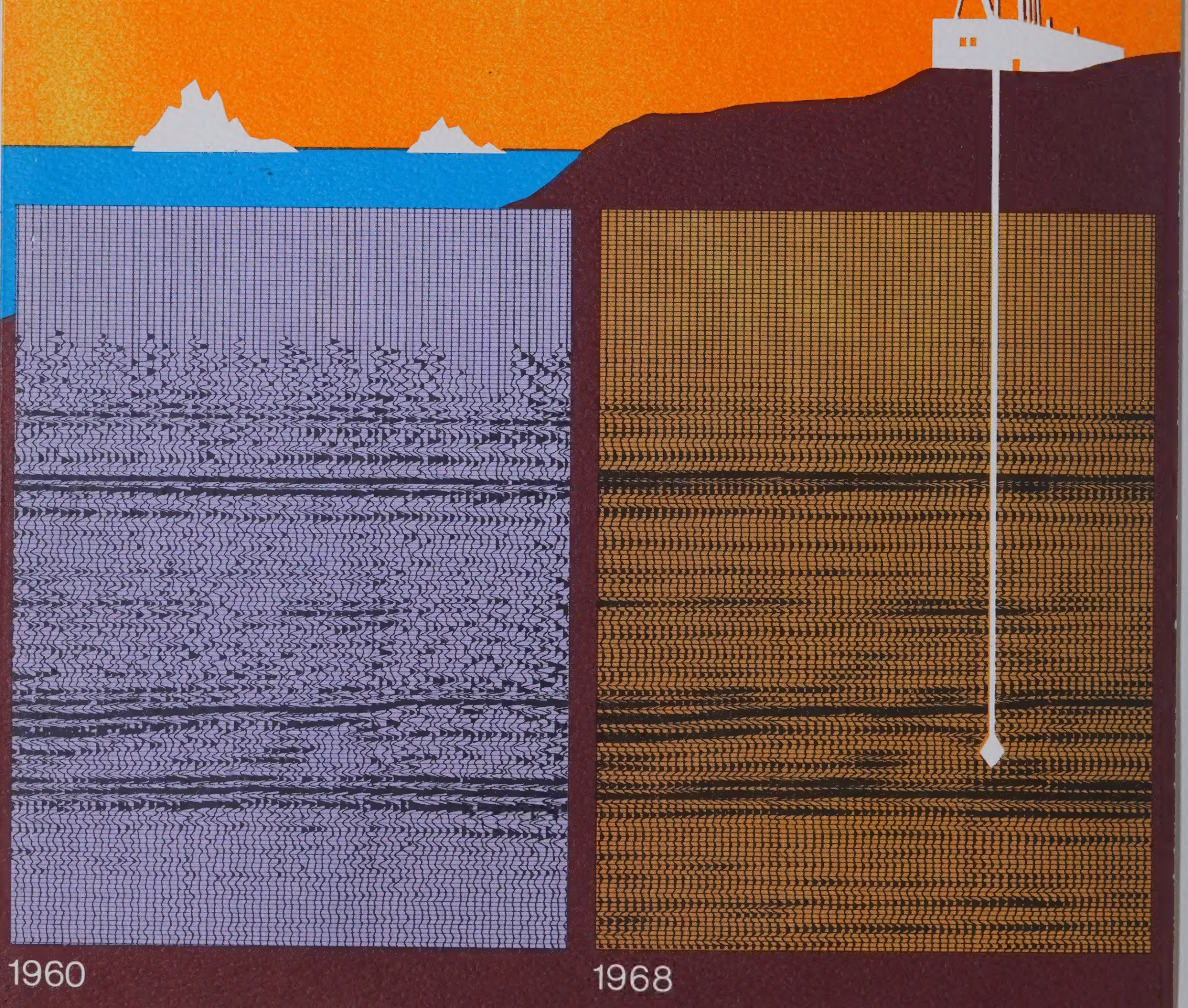
In the 1950's, the magnetic tape recorder was adapted for field data acquisition. The playback capability of magnetic tape made it possible to remove reflection curvature and effects of recording over irregular terrain. Rudimentary filtering techniques could be applied to help remove certain noise.

1960-1968 — Deconvolution and Frequency Filtering Applied

The 1960's saw the introduction of the digital computer to the seismic problem. With the aid of powerful mathematical processes, it became possible to extract and enhance signals which previously had been buried completely in useless noise.

Two-Dimensional Space/Time Filter Applied

In 1968, CDP Computer Data Processors Ltd. successfully developed a highly efficient and economical concept of filtering in two dimensions, providing a stereo capability. Now, in addition to signal enhancement on the basis of frequency alone, it is possible to reject noise according to its origin, even when that noise has the same frequency as the wanted reflections. Results have been obtained with this filter which often are as dramatic as this particular display.



REPORT OF THE PRESIDENT

The fiscal year ended June 30, 1969, was the most eventful and rewarding year for CDP since its inception in August 1966. Scientific processing and program (software) sales produced a gross revenue of $1,561,599, the highest in the history of the Company and compares with $1,176,423 in 1968, for an increase of $385,176 or 33%.

Profit before special items reached an all-time high amounting to $125,497 as compared to $75,221 for the year previous, for a 67% increase. Profit after special items showed a dramatic increase from $58,101 to $157,997 for a 172% increase. The working capital at the year end was $813,739, an increase of $753,850 over the previous year end.

The net earnings per share, using the weighted monthly average number of shares outstanding throughout the year, was 63¢ compared with 33¢ in 1968. The total shares issued at June 30, 1969 were 295,335.

Your Company became public in September 1968, at which time the majority of the long term debt was converted to common shares. We undertook an underwriting in which a further 85,000 shares were distributed to the public in January 1969.

During the year, your Company doubled computer capacity and added an off-line seismic profile plotter and an off-line flatbed E.A.I. plotter. The Programming Department was expanded three-fold to accommodate the addition of geological data processing and software sales. Justification of the shift of emphasis to programs and systems was realized in the securing of the first IRDIA grant given for software by the Department of Industry of the Federal Government and your Company's first international sale of its software which included a minimum 25% gross royalty on any future sales outside of Canada.

This contract will greatly increase the market potential for your Company's software. Future foreign sales will undoubtedly call for conversion of our programs and systems to operate on other models of computers, and such conversion is anticipated to create further revenue for your Company. It is anticipated that the new foreign sales arrangement for software will increase future revenues with small additional sales costs.

The Research and Development department achieved a major breakthrough with the development of two dimensional space/time filtering techniques for the benefit of the geophysicist. Parallel research in potential field mapping has led to unique applications of the 2-D filtering concept which allows geologists and geophysicists to separate regional and anomalous features with great precision, both by direction and size. The successful development of these unique mapping techniques places your Company in a strong competitive position with respect to the rapidly expanding use of computer mapping by the geologist. The method has a direct application to the reduction of airborne potential field, gravity, radiometric and geochemical

1969 HIGHLIGHTS

	1969	1968	Percentage Increase
Revenue	$1,561,599	$1,176,423	32.7
Expenses, except income taxes	$1,326,721	$1,030,150	28.8
Provision for deferred income taxes	$109,381	$71,052	53.9
Earnings	$157,997	$58,101	171.9
per share (1)	$0.63	$0.33	
Funds from Operations	$459,020	$351,799	30.5
per share (1)	$1.83	$1.99	
Working Capital	$813,739	$59,889	1,258.7
per share (2)	$2.76	$0.28	
Net Worth	$1,465,817	($58,709)	2,596.8
per share (2)	$4.96	($0.28)	

(1) Based on weighted monthly average number of shares outstanding 1969 — 251,324; 1968 — 176,594

(2) Based on shares outstanding at year end 1969 — 295,335; 1968 — 208,255 (adjusted)

DIRECTORS:

G. F. COOTE, Calgary, Vice-President, Kenting Limited

A. L. FLOOD, Calgary, Vice-President, CDP Computer Data Processors Ltd.

R. O. LINDSETH, Calgary, Vice-President, CDP Computer Data Processors Ltd.

H. C. GIBSON, Calgary, Vice-President, CDP Computer Data Processors Ltd.

M. E. BAKER, Calgary, Director, Seismotech '64 Ltd.

E. A. M. FULMER, Calgary, Geophysical Consultant

SENATOR DONALD CAMERON, Ottawa, Senator

H. C. MEYERS, Calgary, Vice-President, Heiland Exploration Canada (1959) Ltd.

J. McK. McLEAN, Port Credit, Vice-President, Pentatech Management Limited

A. E. PALLISTER, Calgary, Vice-President, Kenting Limited

C. A. STOLLERY, Calgary, President, Watson Construction Limited

OFFICERS:

G. F. COOTE, President

A. L. FLOOD, Vice-President and General Manager

R. O. LINDSETH, Vice-President – Technical

H. C. GIBSON, Vice-President – Services and Contracts

R. A. MORRIS, Secretary-Treasurer.

HEAD OFFICE:
1370, 550 - 6th Avenue S.W., Calgary 1, Alberta

SOLICITORS:
Howard, Moore, Dixon, Mackie & Forsyth, Calgary 1, Alberta

AUDITORS:
Price Waterhouse & Co., Calgary 1, Alberta

REGISTRAR AND TRANSFER AGENT:
Montreal Trust Company, Calgary, Toronto, Vancouver

STOCK EXCHANGE LISTING:
Calgary Stock Exchange

information used extensively in the search for minerals by the mining industry. Your Company has been successful in obtaining new business from mining exploration companies using these new mapping methods. Your Company intends to aggressively market these new methods to both the mining and oil industries and they should contribute significant sales revenue in the future.

To ensure that your Company has increased computer capacity we have entered into an agreement with Information & Computing Centers Corporation, which provides for the installation of a CDC 6000 series computer in Calgary. We have agreed to purchase time on their machine at a very attractive rate. This in the opinion of Management allows your Company to expand without the responsibility of the high fixed costs of the jumbo computers. Coincident with this agreement your Company sold a subsidiary to ICCC, which, at the time of sale held the leases on the present computers, related leasehold improvement and the lease on the main floor of Calgary House. To ensure continuity of operations, the agreement calls for the present computers to be retained until the CDC 6000 series is operational. Further operational guarantees exist in that the basic programs can be run on locally available systems. The result of these transactions allows your Management to concentrate on the development of new techniques for the benefit of geologists, geophysicists and all others interested in the earth sciences.

The computing industry in North America has watched with great interest the reaction of International Business Machines Corporation to a directive of the United States Department of Justice to change its form of marketing. IBM has now released its new policy in which software will not be provided with the leased or purchased computer, but will be charged separately. A similar move by other large computer manufacturers would appear to be a logical step. As a result, future computer owners/lessees will assess the available software of companies other than the computer manufacturer, thereby creating a larger market for the independent software houses. The planned change in emphasis of your Company from computer operations to software sales now appears even more justified than when inaugurated over a year ago.

The results of operations in the past year were due, in no small way, to the conscientious efforts of all employees. The Directors and Management take this opportunity to say "thank you" for a job well done.

On behalf of the Board of Directors

George Hart

Calgary, Alberta
September 23, 1969

President

RECENT TECHNICAL ADVANCES

TWO-DIMENSIONAL SPACE/TIME FILTERING

The most significant breakthrough in digital processing of petroleum seismic data came early in 1969, with the development by the CDP Research Group of the Two-Dimensional space/time filter.

In the past, enhancement of seismic data could be done only by eliminating or modifying certain frequency components. Unfortunately, in many cases, this had the effect of destroying part of the signal, in much the same way as a noise filter on a hi-fi set will also eliminate some of the audible range. Thus, when the seismic recording contained noise of the same frequencies as the signal, normal filtering methods were not very effective.

The Two-Dimensional filter developed by CDP is able to operate in the equivalent of a very complicated stereo system. Hundreds of seismic signals are examined simultaneously by digital computer. The elaborate calculations determine the direction from which all of the information and noise components originate. The noise components, which arrive from a source different from that of the signal, can then be separated out and discarded regardless of their frequency, preserving only the valid seismic signals.

COMPUTERS IN THE MINING INDUSTRY

As technological development increases, the need to discover, develop and consume our natural resources accelerates. A severe strain has been placed on exploration companies from a resource and manpower standpoint. The number of easily found ore bodies has decreased and exploration success in the future will depend upon more sophisticated techniques. Large new ore bodies must be found to keep pace with the growth pattern. Over the past few years most companies have resorted to airborne exploration techniques to assist the geologist and mining geophysicist. These surveys recorded data in analog (continuous) form. Recently, some progressive companies have started to record in digital form compatible with computers. No matter which technique is used, the management of more and more companies are beginning to realize that the computer can be a powerful tool for their benefit. The speed with which data can be processed allows more time to the geologist or geophysicist for interpretation. This in turn allows management to make decisions faster and with more assurance, a great advantage in today's competitive society. In addition, the computer offers new techniques in finding the more subtle anomalies and those masked by complex geology.

To assist the mining industry, CDP has developed a total systems approach to the collection and reduction of data called PROSPECTOR.

THE PROSPECTOR SYSTEM

The PROSPECTOR system is a comprehensive data handling system which enables the geologist or geophysicist to use the computer as a powerful tool in locating and evaluating mineral prospects. It consists primarily of a group of specialists (geologists, geophysicists and computer experts) capable of directing the user in data collection techniques. This

group consults with the user on any problems encountered in the use of digital systems and finally aids in the preparation of data for entry to the computer. The second phase of the System contains a group of sophisticated computer programs capable of performing most routine and "state of the art" processes producing a series of maps and statistical reports. The third phase consists of a geomathematical programming group which is available on a consulting basis to solve additional problems which may arise. This total systems approach is not only more economical but also time saving.

The Versatility of the System

Data Edit

Field data is never faultless and, to take the greatest advantages of an automated system, input must be edited. In this area, CDP is a pioneer in recovering problematic digital field tapes and in devising validity checks for hand-collected data.

Statistics

With regard to geochemical or other observed data, the PROSPECTOR system is capable of calculating all commonly used statistics such as mean, standard deviation, probability distribution, distribution tests and other more specialized techniques such as R-mode factor analysis, Q-mode factor analysis, discriminant functions and other specialized classification techniques. The System also graphically presents histograms, probability distribution and classification charts.

Gravity Calculations

PROSPECTOR has a complete gravity calculation routine. This includes the calculation of gravity processing routines, Bouguer anomalies, log energy charts, spectrum analysis, regional calculations plus ring residuals. The data may be displayed in the form of profiles or trend analysis and standard mapping routines. This System has been in production use for clients in the U.S. and Canada for over two years.

Aeromagnetic Calculations

Aeromagnetic data may be input as digital magnetic tape or computer cards. PROSPECTOR edits the data, performs loop corrections, diurnal corrections, elevation corrections, etc. The data is then available for any of the analytical mapping routines

mentioned in the gravity section of the package.

Radiometric Data Reduction

The System is capable of reading field tapes, editing and correcting the data, resampling and reformatting the lines on a production basis. Of course, the whole analytical mapping package is available to this data also.

CDP believes that this total systems approach is necessary in the exploration industry to give the client the best results. Experience has shown that a "piecemeal" processing approach is extremely costly and does not always produce quality results, thus negating what may have been a successful and expensive field data collection system.

SOFTWARE SYSTEMS

The tremendous success of digital computers is due largely to the fact that they are so versatile. A computer may calculate the stress of cement columns in one run followed by a payroll computation and finish by computing the values for a map. All of these operations are controlled by computer programs, or software to use the current term.

Programs are made up of a series of instructions written in one of several languages which a computer understands. The success of a good program depends on the ability of the computer programmer to communicate with the machine, in order to carry out a complex operation in a minimum amount of time.

The ability to develop good software is an art, practised by a select group of skilled professional people. The importance of good software has gained increasing recognition from management, who find that both quality of output, and cost, is related to the quality of the software. In most computer installations, the costs of software are at least as great as those of the equipment or hardware, and costs of operation can vary substantially, depending upon the efficiency of the software.

CDP has developed its software to compete in a highly specialized technical field. The quality of the processing has attracted many users who have, in many cases, purchased entire systems for their own installations. As a result, software sales have assumed increasing importance at CDP and form a substantial contribution to the earnings of the company.

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1969

ASSETS

	June 30, 1969	June 30, 1968
CURRENT ASSETS:		
Cash and term deposits	$ 410,834	$ –
Accounts receivable, net (Notes 4 and 6)	538,991	185,693
Work in progress, at cost	21,854	19,751
Materials and supplies, at cost	55,010	31,743
Prepaid expenses	10,276	5,672
	1,036,965	242,859
FIXED ASSETS, at cost less accumulated amortization and depreciation (Notes 2 and 3)	447,212	256,552
DEFERRED CHARGES – Technical systems and goodwill, less accumulated amortization (Notes 2 and 3)	340,890	268,684
	$1,825,067	$ 768,095

Approved on behalf of the Board:

W. C. Baker

Director

G. D. Lundell

Director

The accompanying notes a

LIABILITIES

	June 30, 1969	June 30, 1968
CURRENT LIABILITIES:		
Cheques issued in excess of bank balances	$ –	$ 19,669
Bank loan, secured	25,000	–
Accounts payable and accrued	108,955	80,395
Accrued salaries, wages and benefits	48,246	33,682
Current portion of long term debt	41,025	49,224
	223,226	182,970
LONG TERM DEBT, less current portion (Note 7)	30,000	652,515
DEFERRED INCOME TAXES (Note 5)	106,024	(8,681)
	359,250	826,804

SHAREHOLDERS' EQUITY

	June 30, 1969	June 30, 1968
Share capital: (Note 8)		
Authorized: 2,000,000 shares with a par value of $1.00 each (1968 – 50,000 shares)		
Issued: 295,335 shares (1968 – 18,075 shares)	295,335	18,075
Contributed surplus (Note 8)	1,116,453	–
Retained earnings, per statement attached	54,029	(76,784)
	1,465,817	(58,709)
Commitments (Note 12)		
	$1,825,067	$ 768,095

t of the financial statements.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended June 30, 1969	1968
SOURCE OF FUNDS:		
From operations		
Net income for the year	$ 157,997	$ 58,101
Add – Provision for amortization and depreciation	224,142	205,526
Deferred income taxes (Note 5)	141,881	53,932
	524,020	317,559
Issue of long term debt (Note 7)	40,500	189,000
Issue of capital stock (Note 8)	772,713	2,425
	1,337,233	508,984
APPLICATION OF FUNDS:		
Additions to fixed assets	257,513	15,762
Development of technical systems (less government research grants, Note 6)	229,495	200,607
Repayment of long term debt	42,015	90,730
Stock issue costs	54,360	–
	583,383	307,099
Increase in working capital	$ 753,850	$ 201,885
WORKING CAPITAL:		
Current assets	$1,036,965	$ 242,859
Current liabilities	223,226	182,970
Working capital, end of year	813,739	$ 59,889
Working capital, beginning of year	59,889	
Increase in working capital	$ 753,850	

The accompanying notes are part of the financial statements.

CONSOLIDATED STATEMENT OF INCOME

	Year ended June 30, 1969	1968*
Revenue (Note 4)	$1,561,599	$1,176,423
Expenses:		
Direct costs	778,993	624,389
Sales and administration	323,586	200,235
	1,102,579	824,624
Funds from operations	459,020	351,799
Provision for amortization and depreciation (Notes 2 and 3)	224,142	205,526
Income before income taxes and extraordinary items	234,878	146,273
Provision for deferred income taxes (Note 5)	109,381	71,052
Net income before extraordinary items	125,497	75,221
Extraordinary items: (Net of deferred income taxes)		
Sale of distribution rights (Note 4)	32,500	–
Bad debt	–	(17,120)
Net income for the year	$ 157,997	$ 58,101
Earnings per share (based on weighted average – Note 9)		
Income before extraordinary items	$ 0.50	$ 0.43
Net income for the year	$ 0.63	$ 0.33

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended June 30, 1969	1968
Deficit, beginning of year	($ 76,784)	($ 134,885)
Net income for the year	157,997	58,101
Stock issue costs (Net of deferred income taxes)	(27,184)	–
Retained earnings (deficit), end of year	$ 54,029	($ 76,784)

*For comparative purposes certain 1968 accounts have been reclassified.

The accompanying notes are part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1969

1 PRINCIPLES OF CONSOLIDATION:

The accounts of the wholly owned subsidiaries, EDP Engineering Data Processors Ltd. ("EDP") and Magnetrace Services Ltd. ("Magnetrace") have been included in the consolidated financial statements. EDP currently does not operate. Magnetrace is the lessee of the computer systems used by the Company. See Note 11 concerning the sale of Magnetrace subsequent to the year end.

2 AMORTIZATION AND DEPRECIATION:

Technical equipment is depreciated at rates designed to amortize the costs, less estimated salvage values, thereof over a period of 60 months. Furniture and fixtures are depreciated over 120 months. Leasehold improvements are amortized over the term of the lease which expires December 31, 1971. Direct labour and machine costs relating to the development of technical systems are capitalized and amortized over a period of 36 months, commencing as costs are incurred. The unamortized costs of any technical systems having doubtful future revenue producing potential, are written off.

Goodwill, the excess of cost of investments in subsidiaries over their net book value at date of acquisition, is amortized over 120 months. No amortization was provided on the portion of the Goodwill relating to Magnetrace due to its sale subsequent to the year end. (Note 11)

Amounts charged for depreciation and amortization are as follows:

	Year ended June 30, 1969	1968
Depreciation of fixed assets	$ 66,854	$ 52,279
Amortization and write off of technical systems	152,664	145,398
Amortization of goodwill	4,624	7,849
	$224,142	$205,526

3 FIXED ASSETS AND DEFERRED CHARGES:

The costs, accumulated amortization and depreciation and comparative net book values of fixed assets and deferred charges are as follows:

	June 30, 1969 Costs	Accumulated Amortization and Depreciation	Net Book Value	June 30, 1968 Net Book Value
Fixed assets:				
Technical equipment	$450,280	$108,347	$341,933	$195,601
Furniture and fixtures	57,805	10,096	47,709	28,486
Leasehold improvements	63,527	5,957	57,570	32,465
	$571,612	$124,400	$447,212	$256,552
Deferred charges:				
Technical systems	$410,417	$202,730	$207,687	$165,271
Sonigrams	112,607	74,754	37,853	40,618
Research and development	41,789	4,609	37,180	–
	$564,813	$282,093	$282,720	$205,889
Goodwill	78,493	20,323	58,170	62,795
	$643,306	$302,416	$340,890	$268,684

4 REVENUE AND ACCOUNTS RECEIVABLE:

Prior to June 30, 1969 the Company entered into a contract to sell and convert certain technical systems for use on a major oil company's computer and with Information and Computing Centers Corporation of Dallas, Texas ("ICCC") to sell and convert the majority of technical systems then completed for use on their computer. Based on the percentages of the contracts completed at June 30, 1969, $102,692 has been included in revenue and accounts receivable. All conversion costs have been written off.

The latter contract allows ICCC exclusively to resell technical systems (completed at date of purchase but not including any completed subsequently) to customers outside Canada. ICCC is to pay to the Company a minimum 25% royalty of any such sales.

A portion ($65,000) of the amount received from ICCC has been allocated to the sale of foreign distribution rights and after the deduction of deferred income taxes has been included as an extraordinary item.

5 INCOME TAXES:

It is the Company's policy to claim for Income Tax purposes maximum capital cost allowances and all technical systems costs as incurred. This has reduced taxes otherwise payable by $141,881 in fiscal 1969. The cumulative effect on future income taxes is shown in the balance sheet item, Deferred Income Taxes, arrived at as follows:

Balance, beginning of year	($ 8,681)
Provision for deferred taxes on income	109,381
Provision for deferred taxes on extraordinary item	32,500
Provision for deferred taxes on stock issue costs	(27,176)
Balance, end of year	$106,024

6 RESEARCH GRANTS:

During the year the Company received a grant of $13,355 from the Federal Government under the Industrial Research and Development Incentives Act program. This grant applied to technical systems developed in 1966 and 1967. An application for the continuation of the grant for technical systems developed in 1968 has been made and the amount claimed ($11,090) is included in accounts receivable. The total of these grants has been applied to reduce Deferred Charges. The Company intends to apply for further grants in respect to technical systems developed in fiscal 1969, but no provision has been made for such grants that may be receivable.

7 LONG TERM DEBT:

	June 30, 1969	June 30, 1968
Conditional sales contract, secured by retention of title to equipment, payable in monthly instalments of $3,352 together with interest of $369	$ 33,525	$ 73,755
Conditional sales contract, secured by retention of title to equipment, payable in monthly instalments of $318 with interest at 7% per annum	–	9,984
8% Debentures, Series A, secured by a first floating charge upon the assets of the Company, redeemable at par, maturing on October 1, 1969	–	142,500
8% Promissory Notes Payable, unsecured, $429,000 due August 1, 1971 and $46,500 due August 24, 1972	–	475,500
4% First Convertible Serial Notes (Authorized $40,000)	37,500	–
	71,025	701,739
Less: Current Portion	41,025	49,224
	$ 30,000	$652,515

During 1969 $3,000 in 8% Debentures, Series A and $37,500 in 4% First Convertible Serial Notes were issued. The 8% Debentures, Series A, were subsequently converted to share capital.

The 4% Convertible Notes are repayable in 5 equal portions on September 1, 1969 to 1973 inclusive firstly from shares allocated to a Redemption Fund at $1.00 per share and then in cash. One share is to be allocated to the Redemption Fund for each $10.00 that profits before income taxes exceed $200,000 for the fiscal year ending in 1969; $250,000 for 1970; $300,000 for 1971; $350,000 for 1972 and $400,000 for 1973. With respect to 1969, 9,987 shares may be allocated to the Redemption Fund. Each $20 principal amount outstanding is convertible at any time into 3 shares.

8 CAPITAL STOCK — CONTRIBUTED SURPLUS:

On September 3, 1968 the Company was converted from a private company to a public company and authorized capital stock was increased to 2,000,000 shares with a par value of $1.00 each.

The following sets out the capital stock issued during the fiscal year ended June 30, 1969:

	Shares	Capital Stock	Contributed Surplus
Balance, June 30, 1968	18,075	$ 18,075	$ –
Exercise of employee stock options at $1.00 per share	5,215	5,215	–
Exercise of warrants at $1.00 per share	8,900	8,900	–
Issue to shareholders of record at July 31, 1968 for $1.00 each	28,100	28,100	–
Exchange of 8% Notes at the equivalent of $5.00 per share	95,100	95,100	380,400
Exchange of 8% Debentures, Series A, at the equivalent of $4.28 per share	33,950	33,950	111,550
Exercise of Debenture holders' share purchase rights at $4.50 per share	18,915	18,915	66,202
Exercise of employees' share options at $7.20 per share	1,560	1,560	9,672
Public offering at $7.40 per share	85,000	85,000	544,000
Exercise of employees' share options at $9.90 per share	520	520	4,629
	277,260	277,260	1,116,453
Balance, June 30, 1969	295,335	$295,335	$1,116,453

During the year capital stock and contributed surplus increased by $1,393,713. The exchange of 8% Debentures, Series A, and 8% Notes accounted for $621,000 of this increase, the balance of $772,713 resulted from the issue of capital stock for cash.

As at June 30, 1969, the following shares of the capital stock of the Company have been reserved for future issue:

For conversion or redemption of 4% Convertible Notes	37,500
For employee options at $7.20 per share exercisable 1/5 each year to September 11, 1973	5,280
For employee options at $9.90 per share exercisable 1/5 each year to March 9, 1974	2,080
For employee options at $11.25 per share exercisable 1/5 each year to May 4, 1974	1,400
For exercise of share purchase warrants at $13.00 per share until October 29, 1971	10,000
	56,260
For employee options not yet granted	4,160
For authorized but unissued Convertible Notes	2,500
	62,920

9 EARNINGS PER SHARE:

Earnings per share:
The earnings per share shown on the statement of income were calculated using the weighted monthly average number of shares outstanding during fiscal 1969 and for fiscal 1968 after giving retroactive effect to the exchange of debt for share capital and the exercise of warrants and share purchase rights as outlined in Note 8. The resulting weighted monthly average number of shares outstanding was 251,324 for 1969 and 176,594 for 1968.

The following compares the earnings per share based on the weighted average method with the earnings per share based on shares outstanding at the year end after giving retroactive effect in fiscal 1968 to the exchange of debt for share capital and the exercise of warrants and share purchase rights as outlined in Note 8:

	EARNINGS PER SHARE BASED ON:			
	Weighted Average		Total Shares Outstanding at year end	
	1969	**1968**	**1969**	**1968**
Number of shares	251,324	176,594	295,335	208,255
Income before extraordinary items	$0.50	$0.43	$0.42	$0.36
Net income for the year	$0.63	$0.33	$0.53	$0.28

Fully diluted earnings per share:
Assuming that the shares reserved for future issue (56,260) had been issued on the dates such shares were first reserved and assuming the funds derived therefrom had been invested to produce an annual return of 4% after applicable income taxes the earnings per share for 1969, based on the weighted average method, would have been:

Income before extraordinary items	$0.45
Net income for the year	$0.56

10 REMUNERATION:
The aggregate remuneration paid by the Company to its 14 directors and senior officers was $109,117 for the year ended June 30, 1969.

11 SUBSEQUENT EVENTS:
On July 2, 1969 the Company sold all the shares of Magnetrace to ICCC for $172,500 plus 11,600 unregistered common shares of ICCC which, upon the recommendation of a financial consultant, have been valued by the directors at $116,000.
The following pro forma consolidated balance sheet gives effect to this transaction as at June 30, 1969. The underlying book value and unamortized goodwill with respect to the Magnetrace investment amounted to $80,429; the resulting gain on disposition of $208,071 has been credited to retained earnings.

ASSETS	
Current Assets	$1,209,465
Investment in ICCC	116,000
Fixed Assets (Net)	392,584
Deferred Charges (Net)	315,089
	$2,033,138
LIABILITIES	
Current Liabilities	$ 223,226
Long Term Debt	30,000
Deferred Income Taxes	106,024
	359,250
SHAREHOLDERS' EQUITY	
Share Capital	295,335
Contributed Surplus	1,116,453
Retained Earnings	262,100
	1,673,888
	$2,033,138

12 COMMITMENTS:
The Company has leased until December 31, 1971 office space at a monthly rental of $5,611. Portions of the space leased are subleased to ICCC for the same period at a monthly rental of approximately $1,300. Subsequent to the year end arrangements were made to lease additional office space until December 31, 1971 for an approximate monthly rental of $5,700.

The Company has contracted with ICCC for computer time and operational staff at a minimum charge of $41,000 a month until December 31, 1971. As a result of the sale referred to in Note 11, the present computer lease, involving a monthly rental commitment of $31,824, of Magnetrace (a subsidiary of the Company as at June 30, 1969) was assigned to ICCC.

AUDITORS' REPORT

To the Shareholders of
CDP COMPUTER DATA PROCESSORS LTD.

We have examined the consolidated balance sheet of CDP Computer Data Processors Ltd. as at June 30, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at June 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
August 7, 1969

Price Waterhouse & Co.
Chartered Accountants

CDP COMPUTER DATA PROCESSORS LTD.

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

	Four Months ended October 31 1969	1968
Revenue	$467,025	$337,475
Expenses:		
Direct costs	393,082	215,379
Sales and administration	134,403	87,175
	527,485	302,554
Funds from operations	(60,460)	34,921
Provision for amortization and depreciation (Notes 2 and 3)	91,216	66,555
Loss before income taxes and extraordinary items	(151,676)	(31,634)
Provision for deferred income taxes (Note 4)	(75,068)	(14,509)
Net loss before extraordinary items	(76,608)	(17,125)
Extraordinary items:		
Sale of shares of Magnetrace Services Ltd. (Notes 9 and 10)	166,647	—
Net income for the period	$ 90,039	($ 17,125)
Earnings per share: (Note 7)		
Income (Loss) before extraordinary items	($0.26)	($0.08)
Net income for period	$0.30	($0.08)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Four Months ended October 31 1969	1968
Balance, June 30	$ 54,029	($ 76,784)
Net income (loss) for the four months	90,039	(17,125)
Retained earnings (deficit), October 31	$144,068	($ 93,909)

The accompanying notes are part of the Financial Statements

CDP COMPUTER DATA PROCESSORS LTD.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(Unaudited)

		Four Months ended October 31	
		1969	1968
Source of Funds:			
From operations			
Net income for the year		($ 76,608)	($ 17,125)
Add—Provision for amortization and depreciation (Notes 2 and 3)		91,216	66,555
Deferred income taxes (Note 4)		(75,068)	(14,509)
		(60,460)	34,921
Sale of shares of Magnetrace Services Ltd. (Notes 9 and 10)		247,075	—
Issue of capital stock		—	160,332
		186,615	195,253
Application of Funds:			
Additions to fixed assets		30,154	19,731
Development of technical systems (less government research grants)		78,313	78,091
Repayment of long term debt		—	7,405
Investment in ICCC shares (Note 10)	$116,000		
Less: Revaluation of shares	35,960	80,040	—
		188,507	105,227
Increase in working capital		($ 1,892)	$ 90,026
Working Capital:			
Current assets		$1,070,425	300,862
Current liabilities		258,578	150,947
Working capital, end of period		811,847	149,915
Working capital, beginning of year		813,739	59,889
Increase (decrease) in working capital		($ 1,892)	$ 90,026

The accompanying notes are part of the Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 1969

1. Principles of Consolidation:

The accounts of the wholly-owned subsidiary, EDP Engineering Data Processors Ltd. ("EDP"), have been included in the consolidated financial statements. EDP currently does not operate.

2. Amortization and Depreciation:

Technical equipment is depreciated at rates designed to amortize the costs, less estimated salvage values, thereof, over a period of 60 months. Furniture and fixtures are depreciated over 120 months. Leasehold improvements are amortized over the term of the lease which expires December 31, 1971. Direct labour and machine costs relating to the development of technical systems are capitalized and amortized over a period of 36 months, commencing as costs are incurred. The unamortized costs of any technical systems having doubtful future revenue producing potential, are written off.

Goodwill, the excess of cost of investments in subsidiaries over their net book value at date of acquisition, is amortized over 120 months.

Amounts charged for depreciation and amortization are as follows:

	Four Months ended October 31	
	1969	1968
Depreciation of fixed assets	$23,141	$16,362
Amortization and write-off of technical systems	66,535	47,577
Amortization of goodwill	1,540	2,616
	$91,216	$66,555

3. Fixed Assets and Deferred Charges:

The costs, accumulated amortization and depreciation and comparative net book values of fixed assets and deferred charges are as follows:

	October 31, 1969			October 31 1968
	Costs	Accumulated Amortization and Depreciation	Net Book Value	Net Book Value
Fixed assets:				
Technical equipment	$458,221	$128,374	$329,847	$197,285
Furniture and fixtures	65,261	12,180	53,081	32,428
Leasehold improvements	18,121	1,452	16,669	30,208
	$541,603	$142,006	$399,597	$259,921
Deferred charges:				
Technical systems	$436,808	$230,854	$205,954	$193,271
Sonigrams	76,234	38,057	38,177	43,134
Research and development	61,863	11,497	50,366	—
	$574,905	$280,408	$294,497	$236,405
Goodwill	46,243	15,413	30,830	60,178
	$653,851	$328,524	$325,327	$296,583

4. Income Taxes:

It is the Company's policy to claim for Income Tax purposes maximum capital cost allowances and all technical systems costs as incurred. The cumulative effect on future income taxes is shown in the balance sheet item, Deferred Income Taxes, arrived at as follows:

Balance, beginning of period	$106,024
Provision for deferred taxes on income	(75,068)
Balance, end of period	$ 30,956

5. Long Term Debt:

	October 31 1969	1968
Conditional sales contract, secured by retention of title to equipment, payable in monthly installments of $3,352 together with interest of $369	$20,115	$ 60,345
Conditional sales contract, secured by retention of title to equipment, payable in monthly installments of $318 with interest at 7% per annum	—	10,812
Loan payable, secured by chattel mortgage on equipment, payable in monthly installments of $750 together with interest at 7% per annum	—	6,984
4% First Convertible Serial Notes (Authorized $40,000)	30,000	37,500
	50,115	115,641
Less: Current Portion	27,615	58,530
	$22,500	$ 57,111

The 4% Convertible Notes are repayable in 5 equal portions on September 1, 1969 to 1973, inclusive, firstly from shares allocated to a Redemption Fund at $1.00 per share, and then in cash. One share is to be allocated to the Redemption Fund for each $10.00 that profits before income taxes exceed $200,000 for the fiscal year ending in 1969; $250,000 for 1970; $300,000 for 1971; $350,000 for 1972, and $400,000 for 1973. With respect to 1969, 9,987 shares were allocated to the Redemption Fund. Each $20 principal amount outstanding is convertible at any time into 3 shares.

6. Capital Stock—Contributed Surplus:

The following sets out the capital stock issued during the four months ended October 31, 1969:

	Shares	Capital Stock	Contributed Surplus
Balance, June 30, 1969	295,335	$295,335	$1,116,452
Conversion of 4% First Convertible Serial Notes	7,500	7,500	—
	302,835	$302,835	$1,116,452

As at October 31, 1969, the following shares of the capital stock of the Company have been reserved for future issue:

For conversion of 4% Convertible Note due September 1, 1970	2,487
For allocation to a redemption fund for 4% Convertible Notes	27,513
For employee options at $7.20 per share exercisable 1/5 each year to September 11, 1973	5,280
For employee options at $9.90 per share exercisable 1/5 each year to March 9, 1974	2,080
For employee options at $11.25 per share exercisable 1/5 each year to May 4, 1974	1,400
For exercise of share purchase warrants at $13.00 per share until October 29, 1971	10,000
	48,760
For employee options not yet granted	4,160
For authorized but unissued Convertible Notes	2,500
	55,420

7. Earnings per Share:

The earnings per share shown on the statement of income were calculated using the weighted monthly average number of shares outstanding for the four months ended October 31, 1969, and for the comparable period in 1968, after giving retroactive effect to the exchange of debt for share capital and the exercise of warrants and share purchase rights. The resulting weighted monthly average number of shares outstanding was 299,085 for the four months ended October 31, 1969, and 207,233 for the comparable period in 1968.

8. Remuneration:

The aggregate remuneration paid by the Company to its 14 directors and senior officers was $40,617 for the four months ended October 31, 1969.

9. Sale of Magnetrace Services Ltd.:

On July 2, 1969, the Company sold all of the shares of Magnetrace to Information and Computing Centers Corporation ("ICCC") for $167,035 plus 11,600 unregistered common shares of ICCC which upon subsequent recommendation of a financial consultant were valued by the directors at $116,000. The underlying book value and unamortized goodwill of the Magnetrace investment amounted to $80,428.

10. Subsequent Events (to December 16, 1969):

For purposes of valuation of the ICCC unregistered shares, the directors have approved a formula whereby periodically the bid price of the ICCC stock is converted to Canadian and discounted 40 percent, provided such valuation does not result in a price greater than $10.00 per share. The resultant change in value is charged (credited) to income as an extraordinary item. The opening bid price of ICCC stock on December 16, 1969, was $6.00 U.S.

(To January 16, 1970):

On January 16, 1970, CDP entered into agreements with ICCC as a result of ICCC's decision to reduce their Canadian operation. The effect of these agreements as at October 31, 1969, are as follows:

The exchange of 11,600 shares of ICCC with a book value of $80,040 at October 31, 1969, for leasehold improvements valued at $54,628 (their unamortized cost as at July 2, 1969, the date of the original sale), and the acquisition of trained operating personnel which have been valued at $25,800 (the unamortized cost of consolidated goodwill with respect to Magnetrace Services Ltd. as at June 30, 1969), at this point this transaction results in a gain on surrender of these shares of $388. However, had the original sale not taken place, the unamortized cost of the leasehold improvements would have been $47,344 as of October 31, 1969, and the unamortized goodwill would have been $21,500 as at October 31, 1969, giving effect to these differences ($11,584), which represent amortization had no sale taken place, will result in a loss of $11,196.

Also included was the exchange of the October 31, 1969, debt of $106,983 owned by ICCC to CDP for the cancellation of the remaining conversion contract, assignment of computer leases, cancellation of the remaining block time agreement, and relinquishment by ICCC of foreign sales rights to programs. The costs incurred by CDP in converting the programs will be capitalized as deferred charges at $32,069 (after providing for four months amortization), and the resulting loss of $37,457 (after deducting a deferred income tax provision of $37,457—assuming a 50% tax rate) will reduce retained earnings.

These transactions will result in a total decrease in retained earnings of $48,653.